CURRENTS: Money Markets, Treasuries and Gold

Money market rates are falling, but mortgage rates haven't fallen as much. We remind investors why that is and what the implications are. And what's up with gold?

Money Market & Treasury Yields

Just over a year ago, we were enjoying money markets paying us close to 5.5%. Today, they have fallen a bit below 4% and are quickly headed to 3.5%. Many believe they are headed lower when Chairman Powell's term is up next May. The Federal Reserve Board of Governors (the Fed) only directly controls the rate at which banks lend to one another overnight (the Fed Funds Rate) which has a direct impact on money market rates. Look at the Fed Funds rate since early 2022:

Have other treasury yields fallen by ~2% over the last year?:

Treasury Rates			
Duration	**11/2024 Rate**	**11/2025 Rate**	**Rate Change**
2 - Year	4.25%	3.60%	-0.65%
5 - Year	4.30%	3.70%	-0.60%
10 - Year	4.50%	4.10%	-0.40%

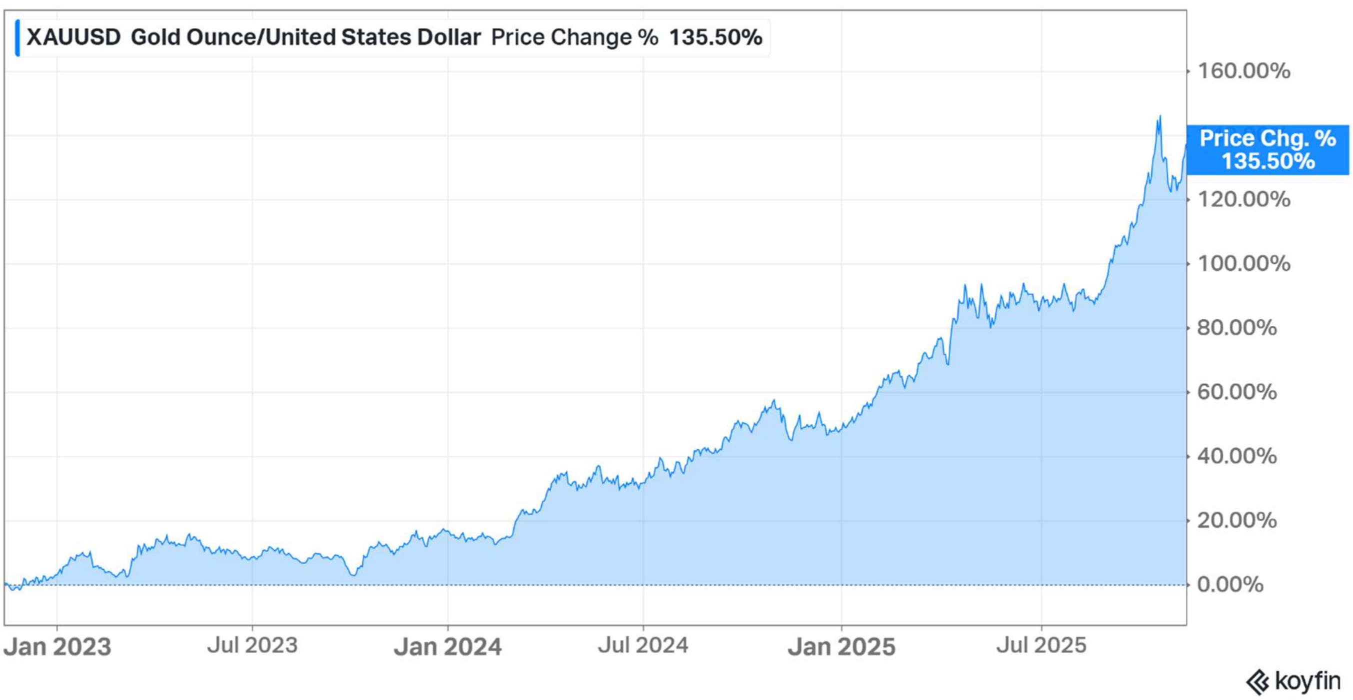
As you can see, longer term rates haven't fallen nearly as much as the Fed funds rate. Since 30-year mortgage rates typically track the 10-year treasury rate, that is why we haven't seen mortgage rates drop as much as the Fed funds rate over the last year or so.

With expectations of further rate cuts, it may be worth considering extending duration for safety funds (high quality bonds). If intermediate to longer term rates fall, locking in today's prevailing rates for longer maturities could be advantageous.

What's up with Gold?

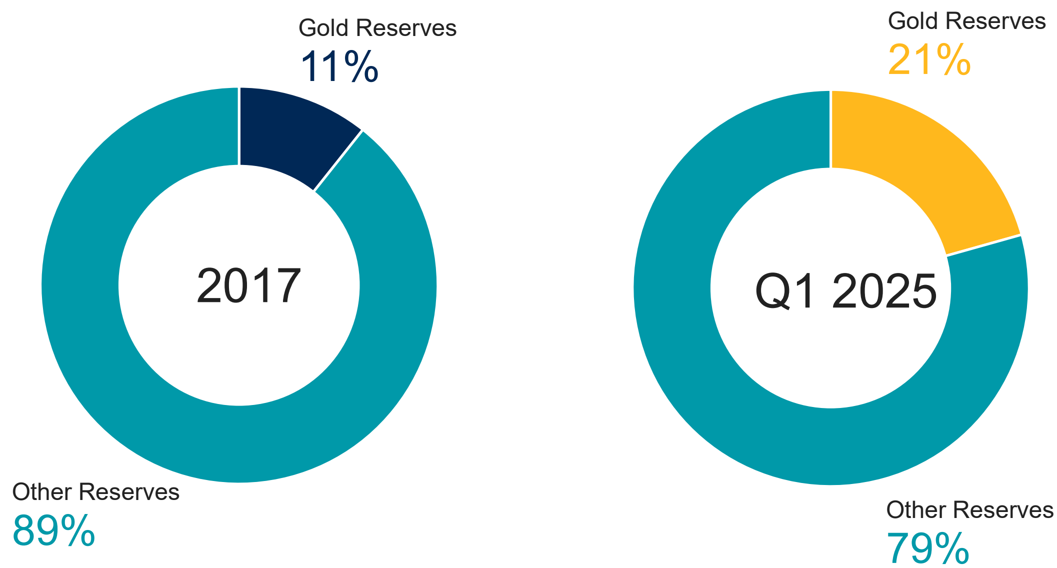
Gold has long been perceived as a good hedge against inflation or a safe haven for fearful investors. However, as Avantis Investors recently reminded investors, "Unlike stocks and bonds, whose prices are directly linked to the earnings or income they are expected to generate in the future, the prices of assets with no cash flow are determined by the forces of supply and demand."

All you have to do is look at the recent returns from gold to understand why investors are so curious. Look at the price over the last 3 years:



Some have suggested international governments have been diversifying their reserves by reducing exposure to the U.S. dollar. However, recent research from the Fed suggests this may not be true[i]. The Fed study found at least 62 countries increased their gold reserve between 2008 & 2023, but only a few of them clearly reduced U.S. dollars while increasing gold reserves, specifically China, Russia and Turkey. The U.S. dollar remains the global reserve currency, accounting for approximately 60% of all reserves, and is also still China's largest reserve currency.

That said, Gold has certainly become a greater share of central bank reserves in general. According to the International Monetary Fund, central banks have added more than 2,000 metric tons of gold to reserve assets since 2017[ii].



As with anything in the global financial markets in 2025, there are likely many reasons why gold prices have been on the rise. Inflationary expectations, geo-political risks, international countries increasing gold reserves and recent returns are just a few of them. We continue to favor a diversified portfolio of assets where expected returns are based upon earnings and cash flows that will increase over long periods of time.

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[i] Colin Weiss, "De-Dollarization? Diversification? Exploring Central Bank Gold Purchases and the Dollar's Role in International Reserves", International Finance Discussion Papers, Board of Governors of the Federal Reserve, September 2025.
[ii] Data from 12/31/2017 and 3/31/2025. Source: International Monetary Fund.